

U.S. Exporters Bask in Clement Costa Rica

By Illeana Ramírez

Costa Rica embodies a Central American success story. The country's social and economic well-being has proven a bonanza for U.S. agricultural exporters, who enjoy a healthy 52-percent share of all Costa Rican agricultural imports; and there's room for growth.

High-Value, Fast Food Sells

High-value food, beverage and meat products rank high on shopping lists for higher income residents. Working people are buying increasing quantities of canned and frozen convenience foods.

Fast-food restaurants are growing, with express service being in great demand for business lunches and weekend family dinners. Weekend dining out is also popular with those who can afford it.

Costa Rican Economy Still Growing

This stable economy, based on tourism, agriculture and electronics exports, has substantially reduced poverty over the past 15 years. Costa Rica's 4 million inhabitants enjoy a high standard of living and widespread land ownership. Literacy is 95 percent, and a strong social safety net is in place.

Leaders have liberalized the economy, promoting domestic industry and nontraditional exports (such as electronics) and enhancing global trade via bilateral and multilateral agreements.

The economic growth of the last few years has been accompanied by changing patterns—tourism is rivaling the tradi-



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tional agricultural economy and is fueling an ever-changing society for the Costa Rican population.

Per capita income is rising and more women work outside the home. Consumer tastes are becoming more sophisticated.

However, some factors are impeding growth: a large deficit; rising debt, unemployment and inflation; and outdated, state-owned electricity and telecommunications sectors. Recent low coffee prices and a glut on the banana market have added to these problems.

Even with these negative indicators, the country's gross domestic product is still expected to have increased about 3 percent in 2002. The outlook for Costa Rica continues to promise increasing markets for U.S. products.

Local Importer Recommended

Though U.S. firms can export directly to Costa Rican companies, it is recommended that a local representative or sales office be used—one that not only markets successfully with the private sector, but is also familiar with Costa Rica's government procurement system.

Since importers do not need commercial licenses, U.S. firms should carefully evaluate potential partners before making a commitment and should avoid exclusive representation contracts. It's best to have an attorney familiar with Costa Rican law review any written agreement.

Imports Must Be Registered

Before entry, imported food products must be registered at the Department of Food Control in Costa Rica's Ministry of Health. Importers and suppliers usually share this cost. Agricultural imports are classified and marketed as a food product, additive or raw material.

Pluses and Minuses in the Costa Rican Market

Advantages for U.S. Exporters	... and Challenges
Urban growth is promoting sales of high-value products.	Consumers have lingering concerns over pesticides.
Food processors are looking for new food ingredients.	Domestic producers receiving foreign investments are upgrading production efficiency and product quality.
Distribution infrastructure is efficient.	Marketing costs are high.
Costa Ricans identify readily with U.S. culture and foods.	Exchange rate fluctuations greatly affect competitiveness of U.S. products.

Labeling Requirements in Spanish

- Product name
- Net content and drained weight
- Any artificial colors and flavors
- List of ingredients in decreasing order by weight or volume
- Name and address of importer
- Lot number and expiration date
- Country of origin
- Storage and use instructions

Dairy and meat products, seafood and infant formulas require laboratory testing to assure compliance with country standards.

Registration of a product requires:

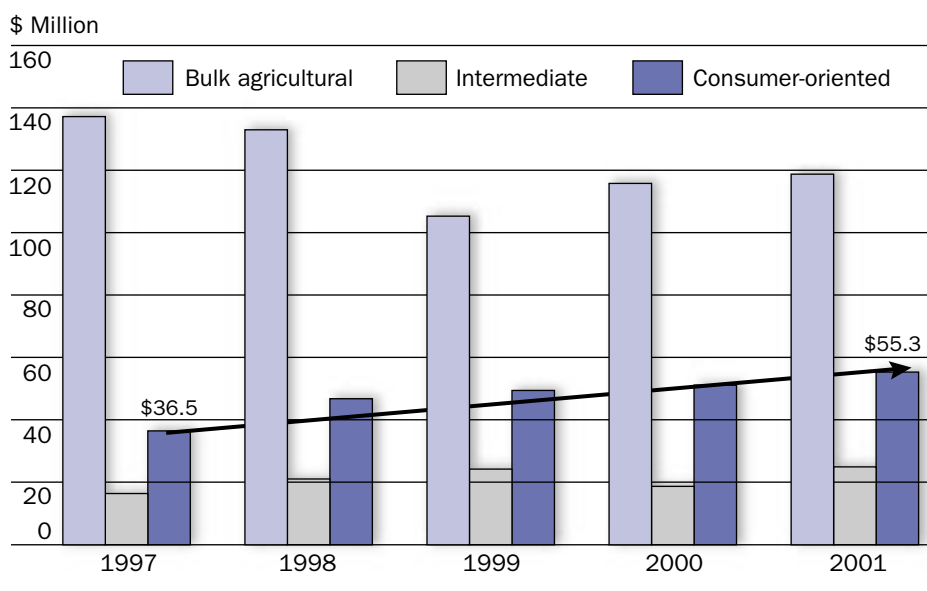
- Registration request form—typed original and copy
- Certificate of qualitative composition of ingredients and any additives, issued by manufacturer or recognized sanitary authority from country of origin
- Sanitary certificate from country of origin
- Receipt for payment for laboratory analysis
- Two product samples, 100 grams or larger

Malls Support Consumer Product Sales

Consumer foods are imported by private firms that distribute to supermarkets and smaller stores. A few larger supermarket chains import directly.

The habit of buying from neighborhood convenience stores is waning as middle class shoppers patronize more shopping centers and supermarkets. Ten big shopping malls in the Central Valley area where San José is located attract customers who value convenience. This is good news for exporters whose products are distributed more readily to larger retail outlets.

After Bulk Products Like Grain and Soybeans, Consumer-Oriented Products Are the Biggest U.S. Agricultural Sellers in Costa Rica



Competitors Aim for Supermarkets

Supermarkets stock a number of brands from Mexico and Chile. Marketers from these countries have been aggressively competing with local products. Mexico has established factories for bread, corn derivatives, canned fruits and vegetables. Chile markets a wide variety of candy, seafood and fruit products.

While U.S. items stocked by supermarkets continue to be perceived as better quality, they need more exposure to ensure growth in market share.

Letter of Credit Most Common Payment

Costa Rican public and private banks provide full trade servicing, but at a price. In 2001, the average lending rate was 25 percent for local currency loans and 11 percent for U.S. dollar-denominated loans.

Since 1996, private banks have forced state-owned banks to be more competi-

tive. Just one U.S. bank is in operation, the local Citibank Costa Rica, S.A.

The letter of credit is the most common and secure method of payment and strongly recommended for U.S. exporters. Under the terms of the letter of credit, the importer may not have access to the goods until the exporter receives payment. ■

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